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HARMONY ASSET LIMITED

亨亞有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 428)

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Placing Agent



富泰中順證券期貨有限公司

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 17 July 2015 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure the Places to subscribe for the Convertible Bonds of up to an aggregate principal amount of HK\$97,646,525 on a best-effort basis to not less than six (6) Places.

Based on the initial conversion price of HK\$12.5 per Conversion Share, up to a maximum of 7,811,722 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming that the Conversion Shares are placed in full and no further Shares will be issued before the completion of the Placing.

* for identification purpose only

Upon exercise in full of the conversion rights attaching to the Convertible Bonds, 7,811,722 Conversion Shares shall be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued capital of the Company as at the date of the annual general meeting of the Company held on 26 June 2015 approving the General Mandate. The maximum number of Shares allowed to be allotted and issued under the General Mandate is 7,811,722 Shares. As at the date of this announcement, none of the Shares has been issued by the Company under the General Mandate. Accordingly, the Placing is not subject to the Shareholders' approval.

The Conversion Shares, upon issue, shall rank pari passu in all respects with the Shares then in issue. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other exchanges.

Shareholders and potential investors should note that Completion of the Placing is subject to fulfillment of the conditions as set out in the paragraph headed "Conditions Precedent" below. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

On 17 July 2015 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, the principal terms of which are summarised below:

Date: 17 July 2015

Parties: (a) The Company; and
(b) FP Sino-Rich Securities & Futures Limited as the Placing Agent

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placees to subscribe for the Convertible Bonds of up to an aggregate principal amount of HK\$97,646,525 due on the Maturity Date, with the rights to convert at the Conversion Price of HK\$12.5 (subject to adjustments) per Conversion Share.

Placees

The Placing Agent shall use all reasonable endeavours to ensure that the Placees and their ultimate beneficial owners shall be Independent Third Parties.

Placing Commission

The Placing Agent will receive a placing commission of 0.5% of such principal amount of the Convertible Bonds actually placed by the Placing Agent. The placing commission for the Placing was determined after arm's length negotiations between the Company and the Placing Agent.

Conditions Precedent

Completion of the Placing shall be conditional upon:

- (a) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Conversion Shares which may be fall to be allotted and issued upon the exercise of the conversion right attaching to the Convertible Bonds;
- (b) each of the Company and the Placing Agent having obtained all necessary consents and approvals in respect of the Placing Agreement and the transactions contemplated thereunder; and
- (c) if necessary, all other necessary consents and approval for the issue of the Convertible Bonds having been obtained.

If any of the conditions precedent above is not fulfilled at or before 5:00 p.m. (Hong Kong time) on 30 September 2015 or such later time or date as may be agreed between the Placing Agent and the Company in writing, the Placing Agent may, at any time thereafter, terminate its obligations under the Placing Agreement by notice in writing to the Company, whereupon the obligations of the Placing Agent under the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach thereof.

Completion of the Placing

Completion of the Placing shall take place on the Completion Date, subject to the fulfillment of all the conditions precedent.

Termination of Placing

The Placing Agent may by prior written notice to the Company terminate the Placing Agreement if, inter alia, any of the following events occur at any time prior to the Completion Date:

- (a) a material change in national or international, financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or

- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises prior to the Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (c) any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:

Principal amount	:	Up to an aggregate principal amount of HK\$97,646,525.
Maturity Date	:	The second anniversary of the date of issue of the Convertible Bonds
Interest	:	6.5% per annum and payable in 2 installments, with the first interest payment to be made on the date falling on the first anniversary from date of issue of the Convertible Bonds and the second interest payment to be made on the Maturity Date.
Conversion Price	:	HK\$12.5 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

The initial Conversion Price of HK\$12.5 per Conversion Share represents:

- (i) a premium of approximately 115.52% over the closing price of HK\$5.8 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a premium of approximately 127.52% over the average closing price of HK\$5.494 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement;

- (iii) a premium of approximately 137.37% over the average closing price of HK\$5.266 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Placing Agreement; and

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

Adjustment events : The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, including but not limited to the followings:

- (i) consolidation or subdivision of Shares;
- (ii) capitalization of profits or reserves;
- (iii) capital distribution; and
- (iv) issue wholly for cash any Shares at a price per Share which is less than 90% of the then market price of the Shares.

Conversion Shares : Based on the initial Conversion Price of HK\$12.5 (assuming that the Conversion Shares are placed in full and no further shares will be issued before the completion of the Placing), a maximum number of 7,811,722 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, which represent:

- (i) approximately 20% of the existing issued share capital of the Company; and
- (ii) approximately 16.67% of the issue share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the conversion right attaching to the Convertible Bonds.

The Conversion Shares shall be allotted and issued pursuant to the General Mandate.

Conversion Period : The period commencing from the first anniversary of the date of issue of the Convertible Bonds and ending on the Maturity Date.

Conversion rights : Subject to, and upon compliance with, the conditions of the Instrument and provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the Conversion Right and party(ies) acting in concert (as defined under the Takeovers Code) with it; and (ii) will not cause the public float of the Company being unable to meet the requirement under the Listing Rules, the Conversion Right attaching to the Convertible Bond may be exercised by the Bondholder at any time during the Conversion Period in amounts not less than a whole multiple of HK\$500,000 on such conversion, save that if at any time the entire principal amount or the outstanding principal amount of the Bond held by a Bondholder is less than HK\$500,000, or if a Bondholder intends to exercise the Conversion Rights attached to the entire principal amount of all the Bonds held by him, the Bondholder may convert the whole (but not part only) of the such outstanding principal amount of the Bonds.

No fraction of a Share shall be issued on conversion and in lieu thereof the Company shall pay a cash amount equal to such amount of the Convertible Bond that is not converted.

Early redemption or Deemed conversion : If at any time during the Conversion Period, the average closing price per Share for the immediately preceding 10 trading days on the Stock Exchange exceeds HK\$16.25 (being 130% of the Conversion Price), the Company shall at its sole and absolute discretion (but shall not be obliged to) issue a notice of automatic conversion to each Bondholder who on receipt of such notice shall be deemed to have exercised his Conversion Rights to convert all outstanding Bonds at the prevailing Conversion Price.

- Conversion restrictions : The Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the conversion rights attached to the Convertible Bonds:
- (i) the holder of the Convertible Bonds and parties acting in concert with it will trigger a mandatory offer obligation under the Takeovers Code;
 - (ii) the holder of the Convertible Bonds and its associates shall become a substantial shareholder of the Company (as defined in the Listing Rules; or
 - (iii) less than 25% or the minimum prescribed percentage as set out in the Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of such conversion rights.
- Redemption : The Company may at any time before the Maturity Date, by giving not less than 2 Business Days' notice to the Bondholders, redeem all or part of the outstanding Convertible Bonds together with interest accrued up to the date fixed for redemption.
- Ranking : The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue
- Transferability : The Convertible Bonds may be transferred to any person with the Company's consent provided that such transfer shall comply with the Listing Rules, the Takeovers Code and any other relevant laws and regulations.
- Application for listing : No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

USE OF PROCEEDS

Subject to the outcome of the Placing, the maximum gross and net proceeds (after deducting related expenses) from the Placing are estimated to be HK\$97,646,525 and approximately HK\$96,950,000, respectively. On such basis, the net Conversion Price is estimated to be HK\$12.4. The Company intends to use the net proceeds from the Placing for financing future investment opportunities and/or as general working capital of the Group.

REASONS FOR THE PLACING

The principal activities of the Company and its subsidiaries are investments in securities listed on recognised stock exchanges and unlisted investments with a potential for earnings growth and capital appreciation.

The Directors are of the view that the Placing represents a good opportunity to raise additional funds for the Company. The Placing will provide immediate funding without immediate dilution of the shareholding of the existing Shareholders, and, on exercise of the conversion rights attaching to the Convertible Bonds, benefit the long-term development of the Company by broadening the capital base of the Company.

As such, the Directors are of the view that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE PLACING ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows the shareholding structure of the Company (to the best knowledge and belief of the Directors) (i) as at the date of this announcement; and (ii) immediately upon full conversion of the Convertible Bonds:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Substantial Shareholders				
Seize Minute Limited (<i>note</i>)	8,517,465	21.81	8,517,465	18.17
Public Shareholders				
Placees	–	–	7,811,722	16.67
Other Shareholders	30,541,149	78.19	30,541,149	65.16
Total	<u>39,058,614</u>	<u>100.00</u>	<u>46,870,336</u>	<u>100.00</u>

Notes:

Seize Minute Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by MK Investments Limited. MK Investments Limited, a company incorporated in St. Kitts with limited liability, is wholly and beneficially owned by Mr. Kor Sing Mung Michael. Accordingly, Mr Kor Sing Mung Michael and MK Investments Limited are deemed to be interested in the Shares held by Seize Minute Limited under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Board confirms that the Company has not undertaken any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL MANDATE

Upon exercise in full of the conversion rights attaching to the Convertible Bonds, 7,811,722 Conversion Shares shall be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued capital of the Company as at the date of the annual general meeting of the Company held on 26 June 2015 approving the General Mandate. The maximum number of Shares allowed to be allotted and issued under the General Mandate was 7,811,722 Shares. As at the date of this announcement, none of the Shares has been issued by the Company under the General Mandate. Accordingly, the Placing is not subject to the Shareholders' approval.

Shareholders and potential investors should note that Completion of the Placing is subject to fulfillment of the conditions as set out in the paragraph headed "Conditions Precedent" above. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Business Day(s)”	means a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours;

“Company”	Harmony Asset Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange;
“Completion”	the completion of the Placing in accordance with the terms and conditions of the Placing Agreement;
“Completion Date”	the day falling on the second Business Day after fulfilment of all conditions precedent or such other date as agreed in writing by the Company and the Placing Agent;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of up to HK\$97,646,525 to be issued by the Company convertible up to a maximum of 7,811,722 Conversion Shares at the Conversion Price;
“Conversion Period”	the period commencing from the first anniversary of the date of issue of the Convertible Bonds and ending on the Maturity Date;
“Conversion Price”	HK\$12.5 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds;
“Conversion Shares”	a maximum of 7,811,722 new Shares to be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds;
“Director(s)”	the director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 June 2015 to allot, issue and deal with up to 7,811,722 Shares, being 20% of the issued share capital of the Company as at the date of the said annual general meeting;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are independent of, not connected with and not acting in concert (as defined in the Takeovers Code) with (i) any of the Placees; and (ii) the Company or any director, chief executive, substantial shareholder (as defined in the Listing Rules) or connected persons of the Company or any of their respective subsidiaries or any of their respective associates;
“Listing Committee”	has the meaning ascribed to it under the Listing Rules;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	the second anniversary of the date of issue of the Convertible Bonds;
“Placees”	any person or entity to whom the Placing Agent or its agents shall procure or, as the case may be, shall have procured to subscribe for the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement;
“Placing”	the proposed placing of the Convertible Bonds by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement;
“Placing Agent”	FP Sino-Rich Securities & Futures Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	the placing agreement dated 17 July 2015 and entered into between the Company and the Placing Agent in respect of the Placing;
“PRC”	The People’s Republic of China;
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-back issued by the Securities and Futures Commission of Hong Kong;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

By order of the Board
HARMONY ASSET LIMITED
Chu, To Jonathan
Executive Director

Hong Kong, 17 July 2015

As at the date hereof, the board of directors of the Company comprises two executive directors, namely Mr. Cheng Ming Shun and Mr. Chu, To Jonathan; four non-executive directors, namely Mr. William Keith Jacobsen, Mr. Mak Hing Keung Thomas, Mr. Wu Ming Gai Terence and Mr. Chau Wai Hing, three independent non-executive directors, namely Mr. Sio Chan In Devin, Mr. Law Siu Hung Paul and Mr. Wong Ching Wan.